

Friday July 22, 2005

Maine Milk Commission Special Meeting Minutes
Deering Building, Room 233
Hospital Street, Augusta, Maine 04333

Notices for the July 22, 2005 meeting were distributed to Commission members, intervenors and other interested parties June 17, 2005 and sent to the Secretary of State's Office for posting on June 29, 2005.

Commission Present: Chair Michael Wiers, Colon Durrell, John Joseph Jr., Katherine O. Musgrave and Shelley Doak.

Commission Absent: None

Department Officials: Commissioner Robert Spear

Staff Present: Stanley K. Millay, Executive Director and Carol Gauthier, Clerical Assistant.

Legal Counsel: Lucinda White, Assistant Attorney General

Intervenors Present: John Blake, H.P. Hood, Inc., John Economy, Garelick Farms of Maine, Thomas Brigham, Oakhurst Dairy

Others Present: Dale Cole, Fred Hardy and Julie-Marie Bickford from the Maine Dairy Industry Association (MDIA), Timothy Dalton and Lisa Bragg from the University of Maine also Steve Pyne and Dean Ellinwood from Dairy Marketing Services (DMS).

Meeting called to order at 1:45 P.M.

Agenda Item 1: Minutes: Katherine Musgrave made a motion to accept the minutes of the June 17, 2005 meeting as written. Colon Durrell seconded. Motion passed 4-0.

Agenda Item 2: Lucinda White, Assistant Attorney General: Lucinda reported that the violation matter with Shaw's Supermarkets and their milk pricing advertising violation has been settled by consent agreement.

Agenda Item 3: Minimum Prices: The prevailing premium is \$1.10 for August 2005 reported by Dairy Marketing Services and Agri-Mark Cooperative.

Tom Brigham from Oakhurst Dairy expressed concern about paying a \$1.10 premium on Class I in addition to a Class I cost of production factor.

Fred Hardy pointed out that the two things (prevailing premium and cost of production) are separate from each other. He reminded the Commission that the Commission had increased the cost of production factor from \$0.74 to \$0.79 beginning with June milk because of increases in the cost of fuel. Mike Wiers agreed that that was what happened.

Stan Millay explained that the new milk-handling fee, L.D. 1432 enacted by the legislature and signed by the Governor on June 17, 2005, requires the Commission to calculate a "basic price" of milk each month after the law becomes effective. Millay explained that the law became effective the first time after May 1, 2005 that the basic price of milk is below \$18 for two consecutive months. June 2005 and July 2005 both had a basic price of

milk value below \$18 i.e. \$16.87 and \$17.14 respectively. Therefore, the provisions of L.D. 1432 are in place for August 2005 milk.

Millay went on to explain that the definition for the basic price of milk means the minimum Class I price of milk established by the Milk Commission law Chapter 603 but does not include that part of the minimum Class I price established to reflect the cost factors provided in Section 2954, subsection 2 or the increased cost of production pursuant to Section 2954, subsection 2, paragraph A. These exclusions include prevailing prices in neighboring states; seasonal production and other conditions affecting the cost of production, transportation and marketing in the milk industry.

Millay presented a spreadsheet that showed the cost factors that are added to the minimum Class I price of milk announced by the Federal Market Order and adopted pursuant to Chapter 603. They are the Federal promotion fee and Class I premium prevailing in neighboring states plus any amount established by the Commission as a cost of production factor. These factors are combined to become a total dealer cost. Under the definition in L.D.1432 these cost factors are excluded from the basic price of milk. Therefore, the basic price of milk for August would be the Class I price announced by the Federal Order for August.

Tom Brigham questioned whether or not the \$1.10 prevailing premium was a cost factor. He stated that he did not think it should be excluded because, in his opinion, it was not a “cost factor” as this term was intended in the definitions.

Discussion ensued about these definitions. Lucinda White read excerpts of Chapter 603 that pertained to establishing prices.

Colon Durrell made a motion to accept the price schedule #08-05 as presented with the producer cost of production at \$0.79 for August 2005 on Class I and \$0.15 on Class II and \$1.10/cwt. over-order prevailing premium on Class I and \$0.23/cwt. added to Class I in accordance with the handling fee legislation. Katherine Musgrave seconded. Motion passed 4-0.

Minimum milk prices adopted include the Federal Order Class I price for August 2005 of \$17.69 plus a processor assessment of \$0.20/cwt for a total dealer cost of \$20.01 for August 2005. The Class I price increased \$0.55 from July 2005.

There is no Farm Bill Counter Cyclical Payment (MILC) for August 2005.

Agenda Item 4: Maine Monthly Price Survey: The Commission reviewed the Maine price survey for July 2005 which included prices for Augusta and Bangor.

Agenda Item 5: Next Scheduled Meetings:

- **Note change of date from Friday August 19 to Monday, August 22 at 1:30 p.m.*
Room 233, Department of Agriculture, Food & Rural Resources
Augusta, Maine
- September 23, 2005, Friday 1:30 p.m.
Room 233, Department of Agriculture, Food & Rural Resources
Augusta, Maine

- October 21, 2005, Friday 1:30 p.m.
Room 233, Department of Agriculture, Food & Rural Resources
Augusta, Maine
- November 18, 2005, Friday 1:30 p.m.
Room 233, Department of Agriculture, Food & Rural Resources
Augusta, Maine

Agenda Item 6: Other:

1. **Milk Commission Budget:** The Commission Reviewed the income and expenditures.
2. **Producer Margins:** Timothy Dalton and Lisa Bragg attended and presented a preliminary report updating the Commission on the cost of production survey.

Tom Brigham from Oakhurst Dairy stated that the cost of production adjustment that is currently added to Class I each month and amounts to \$0.79 adopted for August milk should be reduced or eliminated once new producer margins are adopted and become effective in the dairy stabilization program. Julie-Marie Bickford from MDIA disagreed stating that producer margins are only adopted at the short-run breakeven level and are not adequate to protect dairy producers.

Agenda Item 7: Executive Session: The Commission did not go into Executive Session

Meeting Adjourned: 3:08 p.m.

Stanley Millay, Executive Director, Maine Milk Commission